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Power Integrations, Inc.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

Kimberly Quaco, Derivatively on Behalf of
Nominal Defendant POWER
INTEGRATIONS, INC.,

Plaintiff,

v.

Balu Balakrishnan, et al.

Defendants,

Power Integrations, Inc.,

Nominal Defendant.

Case No. C-06-2811-MHP

**STIPULATION AND ~~PROPOSED~~ ORDER
RE EXTENSION OF TIME TO FILE
RESPONSE TO CONSOLIDATED
COMPLAINT AND RESCHEDULING
HEARING ON MOTION TO DISMISS FOR
FAILURE TO COMPLY WITH
SHAREHOLDER DEMAND REQUIREMENT**

Pursuant to Northern District Civil Local Rule 6-2, Nominal Defendant Power Integrations, Inc. ("Power Integrations") and Representative Plaintiffs Geoffrey Wren, Kimberly Quaco, and Christopher DeBoskey ("Plaintiffs"), by and through their respective counsel of record, hereby stipulate and agree to extend the time for Power Integrations to respond to the Consolidated Complaint until July 23, 2007. In addition, all parties stipulate to a stay of these proceedings until July 23, 2007 in order to allow the parties to pursue discussions in an effort to resolve these matters. This stipulation is based on the following facts:

Whereas, representative plaintiff Kimberly Quaco initiated this shareholder derivative case on behalf of nominal defendant Power Integrations on or about April 25, 2006;

1 **Whereas**, in May 2006, representative plaintiff Kimberly Quaco indicated an intent to file
2 an amended complaint. Pursuant to a stipulation signed on May 10, 2006, the parties stipulated
3 that plaintiff would file the amended complaint on or before May 26, 2006 and that defendants
4 would respond to such amended complaint on or before June 26, 2006;

5 **Whereas**, representative plaintiff Kimberly Quaco filed an amended complaint on
6 May 26, 2006. At the time of filing, counsel for nominal defendant Power Integrations no longer
7 represented all individual defendants. As a result, service was not completed on all defendants at
8 the same time. By stipulation dated June 22, 2006 (and approved by the Court), the parties
9 agreed to an effective service date and agreed that defendants would respond to the Quaco
10 amended complaint on or before September 12, 2006;

11 **Whereas**, on August 1, 2006, after the parties had set the service and response dates by
12 stipulation, Kathryn Champlin initiated a shareholder derivative action on behalf of nominal
13 defendant Power Integrations based upon allegations that were virtually identical to those alleged
14 in the Quaco case. Champlin also moved to be appointed lead plaintiff in the case;

15 **Whereas**, on August 31, 2006, nominal defendant Power Integrations filed a motion to
16 extend the time to respond to the Quaco amended complaint until after the motion to consolidate
17 and appoint lead plaintiff was resolved;

18 **Whereas**, on September 18, 2006, Kimberly Quaco filed a motion to be appointed lead
19 plaintiff;

20 **Whereas**, Christopher DeBoskey initiated a similar shareholder derivative case on behalf
21 of nominal defendant Power Integrations on or about September 21, 2006;

22 **Whereas**, the Court consolidated the various actions on September 22, 2006 and agreed
23 that defendants need not respond to the various complaints pending resolution of the motion to
24 consolidate and appoint lead plaintiff;

25 **Whereas**, the Court heard the motion to appoint lead plaintiff on November 6, 2006 and
26 required additional disclosures from the proposed representative plaintiffs before appointing a
27 lead plaintiff;

28 **Whereas**, on or about November 22, 2006, Counsel for Kimberly Quaco proposed to add

Geoffrey Wren as a representative plaintiff;

Whereas, on November 30, 2006, Champlin voluntarily dismissed her action and counsel for Champlin withdrew the request that she be appointed lead plaintiff;

Whereas, on December 18, 2006, the Court appointed Geoffrey Wren as lead plaintiff and the law firm of Schiffrin Barroway Topaz & Kessler, LLP as lead counsel and ordered plaintiff to file a consolidated complaint no later than January 17, 2007;

Whereas, the Court also set a briefing schedule and required nominal defendant Power Integrations to respond to the Consolidated Complaint within 30 days of service of the Consolidated Complaint and set a hearing on the anticipated motion to dismiss the Consolidated Complaint for failure to comply with the shareholder demand requirement for April 23, 2007;

Whereas, the Court also continued the date for the various defendants to provide a substantive response to the Consolidated Complaint until after the demand futility motion is heard;

Whereas, on February 9, 2007, pursuant to a stipulation by the parties, the Court extended Power Integrations' time to respond to the Consolidated Complaint and stayed all other activities until April 17, 2007 to allow the parties to engage in informal discovery and to discuss a potential resolution of this matter;

Whereas, no formal discovery has occurred yet and defendants contend such discovery is improper under the PSLRA and Delaware law pending a ruling on the motion to dismiss;

Whereas, counsel for Power Integrations and counsel for the plaintiff negotiated a confidentiality agreement to cover an informal production of documents to facilitate a potential resolution of this matter;

Whereas, Power Integrations has produced over 1400 pages of documents pursuant to the confidentiality agreement and protected by Federal Rule of Evidence 408 and California Evidence Code Section 1152 to facilitate a potential resolution of this matter;

Whereas, counsel for Power Integrations as well as counsel for plaintiff and counsel for the plaintiff in a related state court action met for over four hours in New York, NY at Cooley Godward Kronish LLP's office on April 4, 2007 to begin to determine if there was a mutually

1 acceptable potential resolution to the matters;

2 **Whereas**, counsel for Power Integrations and counsel for the plaintiff discussed the
3 substance of the case and engaged in meaningful discussions regarding how to resolve the matter;

4 **Whereas**, plaintiff requested additional information that Power Integrations agreed to
5 provide;

6 **Whereas**, on April 10, 2007, pursuant to a stipulation by the parties, the Court extended
7 Power Integrations' time to respond to the Consolidated Complaint and stayed all other activities
8 until June 1, 2007 to allow the parties to continue informal discovery and to discuss a potential
9 resolution of this matter;

10 **Whereas**, on May 1, 2007, Power Integrations' produced additional documents to the
11 plaintiff;

12 **Whereas**, counsel for Power Integrations and counsel for plaintiff continue to engage in
13 meaningful discussions to resolve this matter;

14 **Whereas**, Power Integrations and the plaintiff believe it is in the best interest of all parties
15 to continue to explore a potential resolution of this matter;

16 **Whereas**, it is in the best interests of Power Integrations' shareholders to avoid the cost
17 and expense of litigation while discussing a possible resolution of this matter; and

18 **Whereas**, the only scheduled events in this case are the briefing and hearing dates on
19 nominal defendant Power Integrations' motion to dismiss the case for failure of plaintiff to
20 comply with the shareholder demand requirement. No other scheduled dates will be affected by
21 this stipulation.

22 **Now, therefore, it is hereby stipulated**, by and between the undersigned, as follows:

23 1. The deadline for nominal defendant Power Integrations to respond to the
24 Consolidated Complaint with a motion to dismiss based on failure to comply with the shareholder
25 demand requirement is extended from June 1, 2007 to and including July 23, 2007;

26 2. Plaintiffs shall have through and including August 22, 2007 to oppose the motion
27 to dismiss, and nominal defendant Power Integrations shall have through and including
28 September 11, 2007 to reply to the opposition;

3. The hearing on Power Integrations' motion to dismiss is hereby continued to October 1, 2007 or such other date that is convenient to the Court (October ____, 2007); and

4. All other activities in this matter are stayed, through and including July 23, 2007.

Dated: May 30, 2007

SCHIFFRIN BARROWAY TOPAZ & KESSLER, LLP

By: /s/ Robin Winchester
Robin Winchester

Lead Counsel for Plaintiffs

Dated: May 30, 2007

COOLEY GODWARD KRONISH LLP

By: /s/ Jeffrey S. Karr
Jeffrey S. Karr

Attorneys for Nominal Defendant
Power Integrations, Inc.

Dated: May 30, 2007

LATHAM & WATKINS

By: /s/ David Friedman
David Friedman

Attorneys for Defendants
Balu Balakrishnan, Alan D. Bickell, Nicholas E.
Brathwaite, R. Scott Brown, Balakrishnan S. Iyer, E.
Floyd Kvamme

1 Dated: May 30, 2007

HELLER EHRMAN LLP

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3
4 By: /s/ Michael L. Charlson
Michael L. Charlson

5 Attorneys for Defendants
6 Derek Bell, Roderick D. Davies, Bruce Renouard,
7 Vladimir Rumennik, Daniel M. Selleck, John Tomlin,
8 Clifford J. Walker, Thomas W. Roesler, Richard S.
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10 Dated: May 30, 2007

HOWREY LLP

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12 By: /s/ Leigh A. Kirmsse
13 Leigh A. Kirmsse

14 Attorneys for Defendant
15 John M. Cobb

16 Dated: May 30, 2007

MORRISON & FOERSTER

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18 By: /s/ Jina Kim
Jina Kim

19 Attorneys for Defendant
20 Robert G. Staples

21 Dated: May 30, 2007

FENWICK & WEST LLP

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23 By: /s/ Emmett C. Stanton
Emmett C. Stanton

24 Attorneys for Defendant
25 Howard F. Earhart

ORDER

PURSUANT TO THE STIPULATION BY THE PARTIES, IT IS SO ORDERED.

Dated: May 31, 2007



FILER'S ATTESTATION

Pursuant to General Order No. 45, Section X, Subparagraph B, the undersigned attests that all parties have concurred in the filing of this Stipulation and [Proposed Order].

Dated: May 30, 2007

COOLEY GODWARD KRONISH LLP

By: /s/ Jeffrey S. Karr
Jeffrey S. Karr